



*The Blue Dog Coalition*



# **Energy Solutions for the 21st Century**

## *Winning by Addition...*

- + Creates a Balanced Approach**
- + Expands Energy Supplies**
- + Enhances Environmental Standards**
- + Promotes Energy Efficiency**
- + Promotes Research and Development**
- + Provides Reliable & Affordable  
Supplies**

## BLUE DOG ENERGY PLAN

The Blue Dog Coalition has built a reputation as a serious player in the policy arena, promoting positions that bridge the gap between ideological extremes. America is looking for leadership from those elected officials pursuing middle-ground, bipartisan answers to the current challenges facing the country.

Blue Dogs believe in a balanced energy plan that expands our energy supply by promoting a diverse energy mix. As a country blessed with a diverse energy portfolio of traditional fossil fuels and viable renewable energy sources, we believe it is critical to promote a forward-looking, market-based, and balanced national energy strategy. We must encourage research and development in new energy technologies that promote the greatest level of conservation at home, in business, and in industry. Reducing national energy intensity through energy efficient applications can save consumers and business billions in extra energy costs while also reducing polluting emissions. Pursuing these collective goals will strengthen our energy security, diversify our energy mix, and provide Americans with reliable and affordable energy sources.

## **I) INCREASING ENERGY PRODUCTION**

### *Maximizing reliable and abundant domestic energy sources*

The Blue Dog Coalition recognizes that America's economic prosperity and its national security depend on the availability of reliable, affordable energy. Increasing domestic energy supplies and enhancing our energy infrastructure are the critical components of a balanced national energy strategy. We are committed to a policy of increased energy production and the environmentally sound use of all energy sources.

#### **Expanding Domestic Energy Sources:**

During the past three decades, the United States has used increasing amounts of energy and has become dependent on foreign sources of energy. The Blue Dog Coalition recognizes that traditional energy sources, such as oil, coal, natural gas, and nuclear are key components of the country's energy portfolio. We can reduce our dependence on foreign energy sources through improving and expanding infrastructure, building additional capacity, and fully funding technological innovation to better utilize traditional energy sources. That includes recognizing the importance of accessing the natural resource base and continuing to provide a royalty structure that encourages the exploration and production of energy resources.

***Petroleum and Gas Production:*** It is inherent that expanding our energy resources must be a key component to achieving energy sustainability. Access to capital is crucial to increasing capacity. According to a recent National Petroleum Council study, capital expenditures for domestic exploration and production needs to increase by approximately \$10 billion per year to meet future demand. Both the federal tax code and regulatory policy could provide a means to maximize efforts to discover and produce reliable energy resources, such as oil and natural gas. The Blue Dogs support targeted tax incentives for the domestic production of crude oil and natural gas.

- Countercyclical tax credits for producing oil and gas from marginal wells.
- The election to expense geological and geophysical expenditures and delay rental payments.
- 5-year net operating loss carryback for losses attributable to operating mineral interests of independent oil and gas producers.
- Temporary suspension of limitation based on 65 percent of taxable income and extension of suspension of the net income limitation with respect to marginal production.
- Extension of Section 29 tax credit for the production of oil and natural gas from unconventional sources.

***Petroleum Market Stability:*** Wild price swings are harmful to both domestic producers and consumers and can constitute a threat to national security and our economic stability. The challenge is to create a mechanism to direct capital to domestic production. One such approach would be to create a “plowback” incentive that would apply to expenditures for domestic oil and natural gas exploration and production.

- A 10% tax credit or a 50% deduction from gross income based on the total drilling and development costs for wells drilled after the date of enactment. These costs would include all intangible drilling costs, geological & geophysical costs, equipment and related costs.

***Petroleum Reserve:*** Another tool available to mitigate only the most severe petroleum fluctuations – damaging to both independent producers and consumers - is the use of the Strategic Petroleum Reserve (SPR). The Blue Dogs would require the President to report to Congress on why domestic oil will not be purchased from marginal wells for the SPR when prices are below \$17/barrel.

### **Expanding Capacity and Infrastructure:**

In the past year, consumers have experienced supply and cost impacts from disruptions in heating oil, gasoline, and natural gas. Insufficient pipeline capacity has caused problems in moving gasoline and natural gas from one region of the country to another. Expanding existing capacity is a crucial link in the chain connecting producers of energy sources to consumers. Blue Dogs propose a series of measures that will improve America’s aging energy infrastructure and facilitate greater efficiencies in energy delivery systems.

***Pipelines:*** Construction should begin as soon as possible to bring North Slope gas to United States markets. The industry has wisely conserved gas as it produced oil over the last twenty years, and the gas can now be transported to the lower 48 states. However, in order to get the pipeline project built on a timely basis, the process for approving the construction of interstate natural gas pipelines needs to be examined closely. Many pipeline projects take an unduly long amount of time from filing to the issuance of certificates, and these delays are a significant contributor to the constraints seen today on the interstate pipeline system. As natural gas demand grows substantially, these bottlenecks and constraints will have to be removed in order to meet the demands of a growing and more energy intensive population.

- Blue Dogs support a production tax credit to promote the development of a new Trans-Alaskan natural gas pipeline to bring natural gas on Alaska’s North Slope to the continental United States.

***Pipeline Safety:*** There are almost 2 million miles of natural gas and petroleum pipelines throughout the United States. These pipelines are critical to our

energy economy and a key component of these systems must be safety. Furthermore, significant pipeline infrastructure additions will be necessary in order to meet projected demand for natural gas and petroleum products over the next decade. As these new pipeline construction projects move forward, the public needs to be assured that pipelines remain a safe energy transportation mode.

We propose strengthening our current oversight program for pipelines by requiring the Department of Transportation to develop separate pipeline integrity rules for hazardous liquid and natural gas transmission pipelines, and require that pipeline operators have integrity management plans in place 18 months after completion of the relevant final rule. In addition, we recognize that excavator damage to pipelines remains a major cause of accidents, despite significant progress, and therefore propose that DOT submit to Congress specific legislative or administrative actions which could be implemented to improve damage prevention and compliance with local "one-call" programs. In addition, we support a more comprehensive federal program for pipeline safety research and development, including a focus on new damage prevention and detection technologies.

***Refining capacity:*** Addressing our energy problems requires a substantial commitment to improving the energy infrastructure within the United States. Domestic refining has actually fallen over the last decade, even as demand for refined petroleum has increased. As a result, there has been a dramatic increase in imports, which contributes to our international balance of payments problems. Even with demand at an all-time high, small refineries may still go out of business due to prohibitive costs of the installation of equipment to remove sulfur from the products and from other costly modifications required to reduce air emissions. A Blue Ribbon panel should be appointed by the President to examine the state of the domestic refining industry to identify the national needs that are going unmet as a result of insufficient refining capacity.

- The Blue Dog Coalition proposes reviewing the benefits of an expedited permitting process by requiring an annual DOE report on the condition of the domestic petroleum refining and distribution system, including the effect of overlapping regulations.
- Blue Dogs also recognize that additional regulatory controls combined with low rates of return on capital act as a disincentive to expanding the additional refinery capacity necessary to meet our energy needs. By reclassifying petroleum refineries as eligible for 7-year depreciation, the industry can retain capital for essential investments in infrastructure.

- Encouraging the most efficient capabilities of refineries is crucial to linking upstream producers to the downstream retailers. Blue Dogs support amending the 50,000 barrel daily limit on refineries operated by independent producers to an annual average of 50,000 barrels per day. This change in current law would allow smaller refiners to increase production, thereby enhancing product supply and ensuring more downstream product availability. This would ease price spikes by ensuring a more stable supply of product.

### **Promoting Research and Development:**

In order to meet our future energy needs in an environmentally responsible manner, we must commit the resources necessary to support the development of the latest research and development (R&D) projects. The Department of Energy plays a critical role in harnessing the overlapping spheres of research performed by private companies, our universities, and research institutions. Promoting the development of cleaner, environmentally sensitive technologies will expand the resource base and lead to more efficient uses of hydrocarbons, coal, renewables, and other energy sources.

Blue Dogs believe that through the robust backing of federal R&D programs, we can extend domestic energy sources and encourage the efficient exploration and production of energy supplies.

- ***Oil and Gas:*** The Energy Information Administration projects a 60% increase in domestic natural gas consumption over the next twenty years while petroleum demand is expected to increase from 19 mbpd to 25 mbpd over the same period. To meet this demand, the U.S. must access the huge quantities of domestic oil and gas that remain untapped. To access these sources, however, producers – particularly smaller companies – will need access to better technology. Employing environmentally sensitive technologies that require smaller surface “footprints” and developing faster 3D seismic imaging will make producers more efficient and lower capital costs.

The U.S. Department of Fossil Research oversees more than 500 active research and development projects, the vast majority conducted by private companies utilizing cost-share partnerships and agreements. The Blue Dogs propose restoring full funding to the Department of Energy’s Fossil Energy Research and Development budget.

- ***Coal:*** Coal currently provides over 50 percent of the electricity generated in the United States. Research and Development to improve the efficiency, cost, and emissions of coal power systems is necessary for coal to overcome existing environmental issues. Recognizing the commitment to long-range clean coal technologies, the Blue Dogs support a coal-based technology R&D program that addresses long-

term technology needs to improve efficiency and reduce emissions from coal-generation.

The Department of Energy should develop a roadmap for a clean coal technology program taking into account the need to boost clean coal R&D as a necessary component to expanding commercial demonstration programs.

- ***Nuclear:*** To ensure a strong role for nuclear energy that meets our energy needs in an environmentally safe manner, the Blue Dogs propose expanding the ongoing work of DOE's Nuclear Energy Research Initiative (NERI) that addresses mid-term to long-term barriers to expanded use of nuclear energy. We also support a strong federal R&D commitment on safe and environmentally sound methods of reducing nuclear waste.
- ***Renewable Energy:*** Renewable energy technologies are an important element of any successful national energy strategy. Although non-hydro renewables only account for 2 percent of total electricity generation, the future of utilizing wind, solar, biomass, geothermal, and fuel cell technologies is bright. Long-term costs continue to fall as more efficient techniques are employed. To help these technologies make the leap from R&D to market viability, the federal government must make substantial investments in sustainable energy.

Blue Dogs recommend a budget that provides continued funding for valuable renewable energy programs, including DOE's wind energy program, Concentrating Solar Power (CSP), Biofuels Energy Systems, and DOE's fuel cell programs.

## II) ENSURING RELIABLE ELECTRICAL GENERATION

### *Utilizing a diverse fuel supply mix*

Access to low-cost, reliable electricity is linked to economic growth and the promise of a better quality of life. A healthy mix of fuel sources is crucial to protecting consumers and business from price fluctuations, seasonal demand imbalances, and changes in regulatory practices. A comprehensive energy approach should utilize a variety of readily available energy resources and technology options that complement efforts to improve energy efficiency and increase the environmental performance of fuels in the generation mix. Blue Dogs support federal regulations and legislative actions that will expand and improve our national electrical generation capacity.

***Nuclear:*** One of the most compelling reasons for the recent focus on energy security is that supply has not kept up with demand. As a reliable, low-cost producer of large quantities of base-load power, nuclear energy promises to figure prominently in the nation's energy security by providing emission-free electricity. Blue Dogs believe Congress must act to address the environmentally safe disposal of byproducts of nuclear power and continue to streamline the licensing process so that safety and site-related issues are resolved before capital is invested.

- *Next Generation facilities:* Recognizing that America's nuclear plants have a capacity of more than 97,000 megawatts and advances in technology can expand existing capacity, the DOE should study the applicability of advanced (Generation IV) nuclear power plants that are cost competitive, use enhanced safety systems, and are highly proliferation-resistant.
- Blue Dogs support reauthorization of the Price-Anderson liability system through the year 2012.

***Coal:*** Between 1970 and 1998, the U.S. population grew by 32 percent, and total consumption of electricity increased by 133 percent. Coal is the source for over 50% of America's electricity generation and, with over 250 years of coal reserves, America's most readily available fuel stock. The Blue Dog Coalition believes we need to encourage innovation in research and provide incentives for reducing pollution from existing coal-fired power plants.

- *Investment in Clean Coal Technology:* Blue Dogs propose a 10% tax credit for qualified expenses toward either the construction of new power plants using advanced clean coal technology, or the retrofitting and repowering of existing conventional power plants with new advanced clean coal technology. Public utilities and co-ops would be

permitted to trade the credits or use them as offsets against debt or obligations in lieu of tax credits.

**Hydroelectric:** Hydropower is an emissions-free and renewable source that can serve the nation's environmental and energy policy objectives. A crucial source of electricity generation, particularly for several Northwestern States, hydropower generates between 10 and 12 percent of U.S. electrical generation, or enough power to provide electricity to 33 million consumers. Given the growing role that hydropower is expected to play in coming years, we believe that it is important to streamline duplicative regulations and intra-agency actions that unnecessarily complicate the licensing process.

**Wind:** The U.S. wind industry has successfully financed and built wind plants capable of generating 1700 Megawatts of power. These plants now produce more than 3.1 billion kilowatts per hour per year. Based on this performance, the industry is developing a corporate structure that has increasing access to some of the same capital markets as electric utilities.

- Blue Dogs believe that federal policies must continue to encourage investment and construction in large-scale wind projects by extending the wind energy production tax credit (PTC).
- We support expansion of the Renewable Resource Credit (Section 45 Credit) to include Alternative Energy Sources and any qualifying energy produced from renewable sources.

**Distributed Generation:** One of the most pressing national problems is rate stability and electric grid power reliability. Additionally, consumers and business are demanding electric power that is not subject to the fluctuations of an overextended electric distribution system.

Clean, distributed generation is an advantageous solution to the problems of power supply. The Department of Energy (DOE) has established several Combined Heat and Power (CHP) and Distributed Energy programs to facilitate commercial relationships promoting these technologies. We believe that the DOE should continue to explore using CHP and Distributed Energy together as part of the solution to solve the problems of rate stability and electric grid reliability.

**Electricity Transmission:** Restructured electricity markets have recently come under stress as increased demand creates supply bottlenecks, exposing the limitations of the delivery system and causing regional electricity disruptions. Transmission constraints and the split responsibilities between states and the federal government have caused inefficiencies, and new mechanisms should be considered to address regional needs and circumstances.

- We propose that the Secretary of Energy provide technical assistance to regional organizations in the planning and siting of additional energy infrastructure, including generating facilities and electric transmission facilities.
- Create an Energy Reliability Organization (ERO) to help facilitate the possible role of Regional Transmission Organizations (RTO's)
- Blue Dogs propose making available up to \$30 million per year through rural construction grants for communities to upgrade electric transmission and distribution lines.
- Blue Dogs encourage the Secretary of Energy to evaluate the utilization of siting new transmission infrastructure on existing rights-of-way or on certain federal facilities.
- Blue Dogs support the transmission industry agreement between IOU's, Municipals, and Rural Cooperatives modifying the federal tax code to facilitate the transmission and distribution of electricity.

#### **Power Plant Initiative:**

America's high-tech economy and New Economy culture require reliable supplies of energy. We are a nation increasingly dependent on electricity with roughly 37 percent of U.S. energy demand delivered in the form of electricity – and this number will likely continue to rise as the New Economy matures. The Internet is a huge user of electricity that, according to some industry experts, consumes over 10 percent of electricity use. Meeting the anticipated increase in electricity demand requires the seamless application of energy efficient technologies, conservation measures, and the construction of additional energy generating capacity. As our energy generating capacity continues to age, a renewed effort must be undertaken to bring additional capacity on-line, utilizing the full spectrum of available fuel sources and the latest technologies.

### III) PROMOTING ENERGY EFFICIENCY

#### *Encouraging Diverse Energy Sources at Home and Work*

Energy efficiency provides an excellent opportunity to reduce energy consumption, expand economic opportunity, achieve environmental improvements, and strengthen our national security. Efficient uses of energy already save consumers billions of dollars per year and the opportunity for additional savings exists if we pursue balanced energy choices. Blue Dogs believe that making the right energy choices can spur the development and expand the application of technologies that save energy and improve the environment.

***Promoting Research and Development:*** Energy efficiency is one of the least expensive and most effective ways to reduce pollution (including greenhouse gases), cut energy costs and save our finite energy sources. In recent years, however, artificially low energy prices and budgetary constraints have moved attention away from efforts to save energy, even though energy efficiency has accounted for almost 22 percent of our energy mix in recent years. The Department of Energy plays a critical role in U.S. research, development, and demonstration activities in the energy field and it is sound policy to fully fund these activities. Blue Dogs reject the Administration's cuts in research for energy production and conservation.

Those participants in the development of renewable energy production and energy savings technologies can generally be characterized as small businesses that do not have the capability to conduct the type of research needed to both develop technologies and prove they work. The private sector's talents lie more in the stage of development that is closer to the commercialization phase.

The Department of Energy's National Laboratories have served as the incubator for development of many of the renewable energy technologies that we are beginning to see in commercial use today. Solar and wind technologies would not be nearly as well developed had it not been for the crucial role played by the National Laboratories. The potential for the emergence of other technologies in the renewable and efficiency areas is highly promising, but U.S. industry needs the fundamental research work that is done by the government and made available to all to bring these technologies into the marketplace.

- The Office of Energy Efficiency and Renewable Energy conducts research, development, and deployment to advance energy efficiency and clean power technologies. The Blue Dogs propose aggressive federal investment in the research, development and demonstration of energy efficient technologies by doubling the funding of the DOE's Energy Efficiency and Renewable Energy budget.

***Energy Efficient Appliances:*** There are a host of innovative technologies that could significantly reduce the energy use of heating and cooling appliances used in residential and commercial buildings. For example, super-efficient electric air conditioners, refrigerators and clothes washers use 25-50 percent less energy than typical new models sold today. However, higher initial cost is a major barrier preventing more widespread production, marketing and sale. Financial incentives can spur the purchase of these products and overcome the initial high cost barrier.

- We propose a tax credit equal to 50% of the purchase price of qualified energy efficient appliances that shall not exceed \$1000 for a taxable year for clothes washers, clothes dryers, refrigerators, dishwashers, water heaters, and room air conditioners that meet the requirements of the DOE's Energy Star program.

***Promoting Energy Efficiency by the Federal Government:*** The federal government is one of the largest users of energy. It is an extensive industrial, commercial, and residential user of energy sources. In addition, a significant amount of energy is consumed by military operations on land and sea and in the air.

- The Blue Dogs propose that during the summer months of the year 2001, the Department of Defense conserve additional energy in the West by eliminating all non-essential activities that do not jeopardize mission preparedness, civilian jobs, or public health and safety. This reduced consumption could increase the amount of supplemental energy available from military-owned power plants.

The government is a large and complex user of energy in all its forms. It makes an ideal test bed for the deployment of energy from alternative sources. For example, solar, wind and geothermal sources for electricity all exist in significant quantities in the West. Consideration should be given to encouraging federal facilities to purchase electricity from alternative sources, as they become available. Such purchases can help lower the first costs of these sources and make them more competitive with existing sources of power.

- It is crucial for the federal government to lead on promoting renewable energy. Blue Dogs propose a top to bottom assessment of all renewable energy resources available within the United States including the applicability of establishing a renewable portfolio standard for bringing renewables into the marketplace.

## IV) PROTECTING THE ENVIRONMENT

We must encourage research and development in new energy technologies that promote the greatest level of conservation at home, in business and in factories. Conservation measures, more energy-efficient products, and alternative fuel sources are of great importance to the success of a long-term energy policy. Private sector investment and government policies encouraging conservation and energy efficiency have enabled Americans to achieve ever-higher standards of living while reducing pollution. Blue Dogs believe that responsible stewardship of our land and continued efforts to curb air pollution are part and parcel of a balanced energy plan.

***Promoting Alternative Fuels:*** Ethanol has the potential to reduce our dependence on foreign sources of crude oil by acting as an extender in gasoline. Additionally, the use of ethanol can contribute to the reduction of air pollution. The use of biomass and agricultural wastes has significant potential to augment electric power demand in localized areas. Projects such as these should be encouraged since they often are in rural areas where additional generation can stabilize electric system performance and electricity costs.

- **Renewable Fuels Standard:** Executive Order 13134 established a Bioenergy Initiative that calls for tripling the use of biofuels and other bioproducts by 2010. As a means to triple the production and use of ethanol to 4.5 billion gallons per year by 2010, Congress should enact a Renewable Fuels Standard (RFS). The Governors, Ethanol Coalition estimated that increasing the demand of ethanol to 3.2 billion gallons would create 47,800 new jobs and create an additional \$2.5 billion of income – a sizeable proportion of which would benefit rural America.

***Vehicle Purchase:*** As mentioned earlier, the federal government is one of the largest and most complex users of energy and has the potential to achieve significant energy savings through the management of its energy demand. We propose that the Department of Transportation conduct a study to determine a schedule for the transition of federal non-combat diesel engines to biodiesel and/or oxygenated diesel.

***Clean Air Incentives:*** Conventional air quality regulations place fixed limits on emissions from individual sources and/or require the installation of specific technologies to control pollution. However, compliance may be more costly for some pollution sources than it is for others, as is witnessed by recent actions by the EPA to re-interpret New Source Review (NSR) rules. EPA has recently taken the view that maintenance activities which took place commonly over the past two decades and were uniformly viewed as “routine” plant repair, replacement, and maintenance are now “major modifications.”

An alternative to conventional air quality regulations is emissions trading. Emissions trading is a market-based alternative, which has the potential to offer each pollution source the most economically feasible option to meet its individual limit on emissions while ensuring that overall air quality goals are still achieved. To attain this, trading uses market mechanisms that allow sources facing high pollution control costs to comply with their emission limits by purchasing excess reductions from other sources that can afford to lower their emissions below what federal or state regulations require. The cost of trading is potentially less than would occur under conventional regulation since the largest reductions in pollution are made by sources that can limit their emissions at the least cost.

In addition to the potential for cost savings, trading also can provide an economic incentive to develop more effective and less expensive technologies to control pollution, since there would be a market for excess reductions that can be achieved more easily at lower costs. Furthermore, trading will help reduce greenhouse emissions in a cost-effective manner and offers new opportunities for environment based income for farmers, foresters and renewable energy firms.

As we have seen with Title IV of the Clean Air Act (Acid Rain Program), trading is well suited for diffuse gases such as nitrogen oxides (NO<sub>x</sub>) and sulfur oxides (SO<sub>x</sub>) and has the potential to improve overall air quality if the pollutants that need to be reduced are diffuse and easily dispersed throughout the atmosphere.

Carbon dioxide (CO<sub>2</sub>), methane, and other greenhouse gases, because of their tendency to drift far from the point of release, are also well suited for a program that uses a system of trading credits or allowances. Under the program, each pollution source receives a limit on its emissions within a specified time frame. A credit is generated when actual emissions are reduced below the required amount. Pollution sources that have earned credits can sell them to other pollution sources that need additional reductions to meet their emission limits. Additionally, allowances would be put in place representing the amount of a pollutant that a source is permitted to release during a specified time in the future. If a pollution source estimates that its actual emissions will be less than its allowances, it can sell its excess allowances to other pollution sources that need them. Pollution sources would be allowed to save credits or allowances for meeting limits on emissions in future years, a practice referred to as banking.<sup>1</sup>

---

<sup>1</sup> Allowing pollution sources to bank allowances or credits for use or sale in the future can provide an incentive to keep emissions below allowable levels in the short-term. A trading program that permits banking could help to improve overall air quality more quickly than expected if enough pollution sources choose to bank their credits or allowances rather than use them.

- Blue Dogs support efforts in Chicago to establish the world's first emissions trading market for greenhouse gases. The Chicago Climate Exchange made up of a diverse group of 25 large corporations and nonprofit organizations has agreed to participate in the design phase of a voluntary pilot trading market, and plans to achieve a reduction of 5% below 1999 levels over five years. It is important that we discover the price at which greenhouse gas emissions credits will trade.
- Blue Dogs also support efforts to conduct a joint feasibility study by the DOE and the EPA to determine the costs vs. benefits of CO<sub>2</sub> emissions control based on the availability of natural gas in the power sector and how this would affect the cost of electricity, as well as the reduction in CO<sub>2</sub>, methane, and other greenhouse gases from other sources.
- Based on the success of the Chicago pilot program and the outcome of the feasibility study, Blue Dogs propose in conjunction with a multi-pollutant approach, a new air quality management program based on both emission credits and allowances to be established on carbon dioxide, methane, and other greenhouse gases emitted from power generators and other sources. A cap allowing for a 7% reduction of 1990 emission levels would be phased in by 2025.<sup>2</sup> A system to accurately record each trade and monitor emissions would be mirrored on Title IV of the CAA Amendments of 1990.

***Carbon Sequestration:*** The USDA Natural Resources Conservation Service (NRCS) estimates the total carbon sequestration and fossil fuel offset potential of U.S. agriculture cropland at 154 million metric tons of carbon per year. Carbon Sequestration can play a roll in offsetting greenhouse gas emissions, but only if efforts are made to develop scientifically sound projections of the potential for sequestration. Blue Dogs support continued efforts through USDA research to better understand the benefits of carbon sequestration and the role of agriculture land as sinks for greenhouse gases.

---

<sup>2</sup> First, a limit on total emissions must be determined, which would accomplish a particular environmental objective. Second, a formula must be developed for distributing the amount of the cap among the pollution sources involved.

## V) Helping Consumers

Blue Dogs understand the impact of high energy prices on consumers and we believe that Congress and the President must work together to provide short-term relief for those struggling to keep pace. According to the National Association of Manufacturers, soaring energy prices cost the economy \$115 billion in 1999 and 2000. As part of our comprehensive energy plan, the Blue Dogs propose clear and significant solutions to help consumers facing high energy prices.

***Western electricity relief:*** Reliable and affordable energy is necessary to ensure economic health and public safety. Despite the best efforts of the western states, an emergency energy situation now exists. The Federal Energy Regulatory Commission (FERC) should augment the states' response to the emergency by protecting consumers from excessive wholesale rates. As the independent federal regulatory agency responsible for ensuring that the wholesale electricity prices that generators charge utility companies are "just and reasonable", we approve of FERC's June 18<sup>th</sup> order, including extending the current price mitigation plan to all hours throughout the Western Systems Coordinating Council.

We urge FERC to vigorously monitor the market and address the exercise of market power in an equitable manner.

***Additional Funding for LIHEAP:*** The LIHEAP program has long provided one of the safety nets for low-income people in our country. It has especially been credited with providing a major source of funds to, in effect, buy-down the cost of fuel in relatively high-cost areas, such as the Northeast. Today LIHEAP is increasingly being turned to by states in the Sunbelt as electricity costs skyrocket and summer temperatures reach record highs. By increasing LIHEAP funding, the program will be able to keep pace with the cost of energy and provide some additional assistance to needy people throughout the country.

- Blue Dogs call for action now to help low and fixed income American families meet the rising cost of energy and propose increasing LIHEAP authorization from \$2 billion to \$3.4 billion in FY02.

***Weatherization Assistance:*** Weatherization assistance is one of the most cost effective ways to save energy immediately, especially in low-income housing - which tends to be energy inefficient. The weatherization programs often offer other information to consumers on how they can save energy other than through weatherization.

- The Blue Dogs would fulfill a pledge to increase the DOE weatherization program to \$310 million for FY02.

***Northeast Home Heating Oil Reserve:*** The Northeast is relatively isolated from the oil and gas producing and refining areas of the country. Energy costs are generally higher in this region of the country than in others because of transportation costs and colder weather. The harsh winters often cause major disruptions in the delivery of heating oil, which is used to heat many residences in the Northeast. The heating oil reserve can serve as an emergency supply of fuel to bring about more balance between supply and demand in times of shortages.

- Blue Dogs support fully funding the Northeast Home Heating Oil Reserve by providing \$8 million to continue leasing commercial terminals of two million barrels of federally owned emergency heating oil.

***Gasoline Nationwide:*** Blue Dogs understand the impact of high gasoline prices on the millions of consumers who depend on their cars and trucks to get them to and from work, manage their busy lives, and help them earn a living for their families. In the most recent Short-Term Energy Outlook, the Energy Information Agency reported that gasoline prices averaged \$1.62 per gallon during the month of June. Although recent stable prices indicate a possible plateau, the summer national monthly average for regular gasoline is expected to be \$1.54 per gallon – almost the same as the record set last year.

We propose a series of short-term and longer-term measures to bring down the price of gasoline.

- Call on OPEC and non-OPEC oil producers to increase production at a time when the world spot price for crude oil continues to hover over \$27 per barrel.
- Direct the Department of Energy to review and report on regulations that may add unnecessary costs to gasoline prices, including examining potential cost savings from regulatory modifications related to “boutique” fuel formulations.
- Direct the Environmental Protection Agency to conduct a study of the feasibility of developing regional vehicle fuel specifications for the United States.
- We urge that the appropriate House and Senate oversight committees conduct hearings to investigate the rapid rise in gasoline prices and the impact of oil company mergers.

***Vehicles:*** Advanced technologies are now providing real options to buyers of automobiles, which are powered by engines other than conventional gasoline engines. Current tax incentives on electric, natural gas, fuel cell and hybrid vehicles should be expanded to give drivers real alternatives to gasoline. By encouraging drivers to purchase these types of vehicles, economies of scale will help reduce the costs of these vehicles in the future.

- The Blue Dogs propose a flexible consumer tax credit of up to \$4,000 to encourage the purchase of cars and/or light trucks/SUV's/minivans equipped with fuel saving new technology or alternative fuel engines.

## **VI) Promoting Research and Development**

### *Investing in our Energy Future*

In order to meet our future energy needs in an environmentally responsible manner, we must commit the resources necessary to support the development of the latest research and development projects. Promoting the development of cleaner, environmentally sensitive technologies will expand the resource base and lead to more efficient uses of hydrocarbons, coal, and renewable energy sources.

The following is a summary listing of research and development provisions which are set out in greater detail in the Blue Dog Energy Plan.

#### ***Energy Efficiency:***

- The Office of Energy Efficiency and Renewable Energy conducts research, development, and deployment to advance energy efficiency and clean power technologies. The Blue Dogs propose aggressive federal investment in the research, development and demonstration of energy efficient technologies by doubling the funding of the DOE's Energy Efficiency and Renewable Energy budget.

#### ***Renewable Energy:***

- Blue Dogs recommend a budget that provides continued funding for valuable renewable energy programs, including DOE's wind energy program, Concentrating Solar Power (CSP), Biofuels Energy Systems, and DOE's fuel cell programs.

#### ***Oil and Gas:***

- The U.S. Department of Fossil Research oversees more than 500 active research and development projects, the vast majority conducted by private companies utilizing cost-share partnerships and agreements. The Blue Dogs propose restoring full funding to the Department of Energy's Fossil Energy Research and Development budget.

#### ***Coal:***

- The Department of Energy should develop a roadmap for a clean coal technology program taking into account the need to boost clean coal R&D as a necessary component to expanding commercial demonstration programs.

***Nuclear:***

- To ensure a strong role for nuclear energy that meets our energy needs in an environmentally safe manner, the Blue Dogs propose expanding the ongoing work of DOE's Nuclear Energy Research Initiative (NERI) that addresses mid-to long-term barriers to expanded use of nuclear energy. We also support a strong federal R&D commitment on safe and environmentally sound methods of reducing nuclear waste.

## Explanatory Note

The Blue Dogs believe that a national energy policy must fit within a fiscally responsible budget framework. The Blue Dog budget alternative proposed earlier this year would have provided resources for tax incentives and investments in research and development as part of a national energy policy. Unfortunately, the budget resolution that was adopted by Congress called for reductions in existing energy programs, and energy policy was not addressed as part of the tax bill allowed under the budget resolution. The failure of Congress to address energy policy as part of the budget debate earlier this year will have consequences for the energy debate that cannot be ignored.

The tax cut legislation recently enacted into law consumed much of the projected budget surplus over the next ten years. As a result, any tax cuts or spending increases that are not offset would result in a deficit. Therefore, it is vital that any legislation implementing a national energy policy be subject to existing budget enforcement rules. The revenue loss from any tax incentives included in energy legislation must be paid for with offsets as required by the PAYGO rules, and any spending for energy programs must fit within the discretionary spending caps.